

# BUDGET LETTER

	NUMBER: 02-24
SUBJECT: 2003-04 PRICE LETTER	DATE ISSUED: AUGUST 26, 2002
REFERENCES:	SUPERSEDES: BL 01-32

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Pursuant to Budget Letter 02-05, departments will not be provided a price increase as a baseline adjustment in 2003-04. Price increase adjustments are considered policy adjustments and will **not** be included in the Planning Estimates or budget galleys unless specifically approved by the Department of Finance. Budget Change Proposals (BCPs) for price increase adjustments should not be submitted unless extreme hardship can be demonstrated. In those cases, departments must submit a BCP fully justifying the need.

**Accordingly, the attached Price Letter Adjustment Factors for 2003-04 are provided for departments' planning purposes only so departmental resources may be managed to incorporate these factors within existing resources.**

The Price Letter does not cover the prices of goods and services that are included in the Department of General Services' **2003-04 Price Book and Directory of Services**, which is available from the Office of Fiscal Services' website at <http://www.ofs.dgs.ca.gov/>. If you have any questions regarding the Price Book, please contact the Department of General Services, Office of Fiscal Services, Budget and Planning Section, 1325 "J" Street, Suite 1600, Sacramento, CA 95814, or call Ms. Jennifer Byington at (916) 376-5161.

*Veronica Chung-Ng for*

Yoshie Fujiwara  
Program Budget Manager

Attachments

## Upcoming Budget Letters

- Late Payment Penalty Interest Rates
- Change to General Statewide Sections
- Expenditure Authorization Controls
- Supplemental Language Report Requests
- Past, Current, and Budget Years Schedule 10s
- Initial Schedule 10Rs

PRICE LETTER STANDARDS  
2003-04

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

UCM Code	Line-Item Object	2002-03 <sup>a</sup>	2003-04 <sup>a</sup>
	<b>Personal Services</b>		
103103	OASDI	6.2% on wage ceiling of \$87,300 <sup>b</sup>	6.2% on wage ceiling of \$91,050 <sup>b</sup>
103137	Medicare	1.45% no wage ceiling	1.45% no wage ceiling
103105	Health Benefits-Public Employees	This issue is subject to ongoing negotiations through the collective bargaining process. Any change will be addressed in a subsequent Budget Letter.	
103107	Retirement-Public Employees	Budget Letter 02-19	
	<b>Operating Expenses</b>		
311223	Library Purchases		
	Monographs	4.6%	2.5%
	Subscriptions	8.9%	17.1%
	Serial Services	7.3%	14.2%
313257	Telephone	c, d	c, d
314261	Postage	d	d
317292	In-State Travel Per Diem	d	d
324362	Electricity	d	d
324363	Natural Gas	10.7%	3.3%
324364	Liquid Petroleum Gas	10.7%	3.3%
325396	Attorney General Services		
	Attorney Services	d	d
	Paralegal Services	d	d

<sup>a</sup> Percentage change over 2001-02, unless specified otherwise.

<sup>b</sup> The tax base for the calendar year 2002 is \$84,900. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$89,700 and \$92,400 are used for calendar years 2003 and 2004, respectively, for planning purposes.

<sup>c</sup> Budget at July 1, 2002, rates.

<sup>d</sup> See following text.

UCM Code	Line-Item Object	2002-03 <sup>a</sup>	2003-04 <sup>a</sup>
<b>Operating Expenses</b>			
328428	Consolidated Data Center	d	d
330438	Pro Rata	d	12.5%
330439	SWCAP	d	5.6%
333503	Clothing and Personal Supplies	1.6%	-1.9%
333504	Medical Care	3.9%	10.9%
333506	Foodstuffs	1.7%	3.9%
333513	Laundry <sup>e</sup>		
	General Linen	29¢/lb.	d
	Personal Clothing	31¢/lb.	d
	California Consumer Price Index - All Urban Consumers	2.5%	5.1%

## OPERATING EXPENSES

### TELEPHONE

Telephone rates for services provided under California Integrated Information Network (CIIN) are expected to remain stable during the current and budget years. All services have been converted from the State-owned CALNET to the CALNET Services contract (CNT-001). The State will review contract telephone rates in fiscal year 2002-03. Agencies are advised to budget telephone costs for 2002-03 and 2003-04 at the 2001-02 rates.

### POSTAGE

Departments are advised to budget postage for 2002-03 and 2003-04 at the postal rates as of June 30, 2002. The latest postal rates, which went into effect on June 30, 2002, are expected to remain unchanged at least until 2004. Current rate schedules are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/ratecase/>.

Major postage rates effective June 30, 2002, are as follows:

First-Class letter: 1 oz.	37 cents
Postcard	23 cents
Priority Mail (1lb.):	\$3.85
Express Mail: ½ lb.	\$13.65

<sup>a</sup> Percentage change over 2001-02, unless specified otherwise.

<sup>d</sup> See following text.

<sup>e</sup> Prices do not include transportation charges, which are based on mileage. See following text for detail.

## IN-STATE TRAVEL PER DIEM

For 2002-03 and 2003-04, the reimbursement for lodging, meals and incidentals, and mileage should be budgeted as follows:

<b>Lodging –</b>	<b>For each 24-hour period</b>
<ul style="list-style-type: none"><li>Alameda, San Francisco, San Mateo Santa Clara<ul style="list-style-type: none"><li>With receipt</li><li>Without receipt</li></ul></li></ul>	up to \$140.00 plus tax \$0.00
<b>Lodging –</b>	
<ul style="list-style-type: none"><li>Los Angeles and San Mateo County<ul style="list-style-type: none"><li>With receipt</li><li>Without receipt</li></ul></li></ul>	up to \$110.00 plus tax \$0.00
<b>Lodging –</b>	
<ul style="list-style-type: none"><li>All other counties<ul style="list-style-type: none"><li>With receipt</li><li>Without receipt</li></ul></li></ul>	up to \$84.00 plus tax \$0.00
<b>Lodging –</b>	
<ul style="list-style-type: none"><li>Conference/Conventions<ul style="list-style-type: none"><li>Non-State sponsored, with prior written approval of appointing power, with receipt</li><li>State-sponsored, with prior written approval of appointing power, with receipt</li></ul></li></ul>	no maximum up to \$110.00 plus tax
<b>Meals and Incidentals</b>	up to \$6.00 for breakfast up to \$10.00 for lunch up to \$18.00 for dinner up to \$6.00 for incidentals
<b>Mileage</b>	\$0.34 per mile

The aforementioned amounts reflect the current reimbursement rates for excluded and represented State employees.

Departments are advised to use the above rates for budgeting purposes until the Department of Personnel Administration provides notification of any changes that result from collective bargaining. Actual rates are determined by collective bargaining agreements and may vary by bargaining unit.

## HEAT, LIGHT, AND POWER

### Electricity

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand

increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

Based on the preliminary long-term forecast of retail electricity price prepared by the California Energy Commission in June 2002, the overall electrical rates charged by major investor-owned utilities are expected to change over 2001-02 as follows:

	2002-03	2003-04
Pacific Gas & Electric Company	0.48%	-8.88%
Southern California Edison	-2.57%	-9.78%
San Diego Gas and Electric Company	-2.0%	-5.33%

### **Natural Gas**

Natural gas should be budgeted for 2002-03 and 2003-04 at 10.7 percent and 3.3 percent, respectively, above 2001-02 actual expenditures.

### **Fuel Oil and Liquefied Petroleum Gas**

Departments are advised to budget liquefied petroleum gas for 2002-03 and 2003-04 at 10.7 percent and 3.3 percent above 2001-02 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

### **ATTORNEY GENERAL'S LEGAL SERVICES RATE**

A separate Budget Letter will be issued to address the planning estimate adjustments for the Attorney General's legal services for the 2003-04 fiscal year.

### **CONSOLIDATED DATA CENTER SERVICES**

The Teale Data Center's (TDC) latest rate schedule represents an overall annual reduction from the previous rates. The current rates are effective on January 1, 2001. Because departments typically have very different usage patterns, they are advised to consult TDC's billing rates schedule to estimate data processing costs and develop budgets for 2002-03 and 2003-04 accordingly.

Information necessary to estimate overall percentage changes in the Health and Human Services Data Center (HHSDC) rates was unavailable. The HHSDC's current base rates, effective November 1, 2000 (last updated in June 2002), should be used by departments to estimate data processing costs and develop budgets for 2002-03 and 2003-04. For departments that use CALSTARS running on HHSDC's data processing systems, estimated amounts for their 2002-03 interagency agreements have been developed and forwarded to those departments. As a whole, CALSTARS departments can expect a 6.5 percent increase in CALSTARS costs in 2002-03, although changes in costs for individual departments may vary.

### **CENTRAL ADMINISTRATIVE SERVICES**

Central administrative services include pro rata and statewide indirect cost recoveries from the federal government (SWCAP).

## **Pro Rata Charges**

Pro rata charges assessed to special funds for 2002-03 have been submitted to departments. Departments affected by pro rata charges will be notified of their 2003-04 pro rata assessments by the first of October 2002. In the interim, amounts for 2003-04 should be budgeted an average of 12.5 percent higher than the 2002-03 pro rata assessment. The 2003-04 pro rata assessment will be based on actual workload for 2001-02. Departments may experience more or less than the average 12.5 percent increase.

## **SWCAP (Statewide Cost Allocation Plan)**

SWCAP costs are General Fund costs incurred by various central service departments (e.g., State Personnel Board and State Controller's Office) for providing centralized services to all departments including those that receive federal funds.

SWCAP is shown as a line item in the budget of each department that will recover central service costs from the federal government.

SWCAP allocations for 2002-03 have been submitted to departments. Departments will be notified of their 2003-04 SWCAP allocation by the first of October 2002. In the interim, departments should expect their SWCAP allocation for 2003-04 to be 5.6 percent higher than the 2002-03 SWCAP allocations. Amounts budgeted to be recovered for 2003-04 will depend on the SWCAP allocations and expected changes in federal funding for 2003-04.

## **CLOTHING**

Clothing and personal supplies should be budgeted for 2002-03 and 2003-04 at 1.6 percent above and 1.9 percent below 2001-02 actual expenditures, respectively.

## **MEDICAL CARE SUPPLIES**

Departments should budget contract items at current prices. Budget the remaining items for 2002-03 and 2003-04 at 3.9 percent and 10.9 percent, respectively, above 2001-02 actual expenditures.

## **FOODSTUFFS (FEEDING)**

Budget feeding costs for 2002-03 and 2003-04 at 1.7 percent and 3.9 percent, respectively, above 2001-02 actual expenditures.

## **LAUNDRY**

Laundry prices for departments served by State correctional institutions should be budgeted as follows:

<b>Service</b>	<b>2002-03</b>
General Linen	29¢/lb.
Personal Clothing	31¢/lb.

Based on projected cost of providing laundry services for 2003-04, laundry prices are estimated to increase. However, at the time this Letter was prepared, the Prison Industry Authority had not determined the estimated increases for 2003-04.

These prices do not include mileage-based transportation costs, which have increased as follows:

Round Trip Mileage	Charge Per Trip
0-25	\$84.00
26-50	126.83
51-100	225.54
101-150	301.96
151-200	384.64
201-250	466.64
251-300	546.50
301-350	642.20
351-400	739.89

## OVERALL CONSUMER PRICE INFLATION

The Economic Research Unit of the Department of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May, September and December. The most current (May 2002) California CPI-U forecast predicts that overall consumer prices will rise by 2.5 percent and 5.1 percent in 2002-03 and 2003-04, respectively, over 2001-02. However, departments are advised that while the CPI-U is believed to represent *overall* consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at 322-2263 for the most recent available forecast.

## POPULATION

California's total population on July 1, 2002, is projected at 35,345,000—an increase of 615,000 over the number residing in the state on the same date last year. Civilian population on July 1, 2002, the essential figure for most budget computations, is 35,197,000. This represents a growth of 590,000 over the past 12 months. Current projections for mid-2003 place the total population at 35,920,000—an increase of approximately 1.6 percent for total population from the preceding July 1. The total population as of July 1, 2004, is expected to be 36,480,000, of which 36,332,000 would be civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2000-2004  
(in thousands)

July 1	Total Population	Civilian Population	<u>One-year change</u>	
			<u>Total</u>	<u>Civilian</u>
2000	34,040	33,912	---	---
2001	34,730	34,607	690	695
2002	35,345	35,197	615	590
2003	35,920	35,772	575	575
2004	36,480	36,332	560	560

Table 2 shows the civilian population for the years 2000-2004 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2000, decennial census, Department of Finance estimates, and the most recent Department of Finance projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE  
(In thousands)

Age in Years	<u>7/1/00</u>	<u>7/1/01</u>	<u>7/1/02</u>	<u>7/1/03</u>	<u>7/1/04</u>
0-4	2,540	2,591	2,643	2,691	2,734
5-9	2,699	2,690	2,671	2,654	2,644
10-14	2,609	2,703	2,767	2,813	2,825
15-19	2,413	2,460	2,504	2,565	2,646
20-24	2,328	2,401	2,461	2,510	2,539
25-29	2,403	2,414	2,421	2,454	2,490
30-34	2,652	2,684	2,688	2,667	2,621
35-39	2,743	2,730	2,714	2,704	2,728
40-44	2,686	2,736	2,769	2,813	2,823
45-49	2,373	2,455	2,531	2,588	2,655
50-54	2,081	2,121	2,172	2,237	2,306
55-59	1,515	1,647	1,752	1,848	1,961
60-64	1,176	1,228	1,300	1,367	1,433
65+	<u>3,694</u>	<u>3,747</u>	<u>3,804</u>	<u>3,861</u>	<u>3,927</u>
Total	33,912	34,607	35,197	35,772	36,332